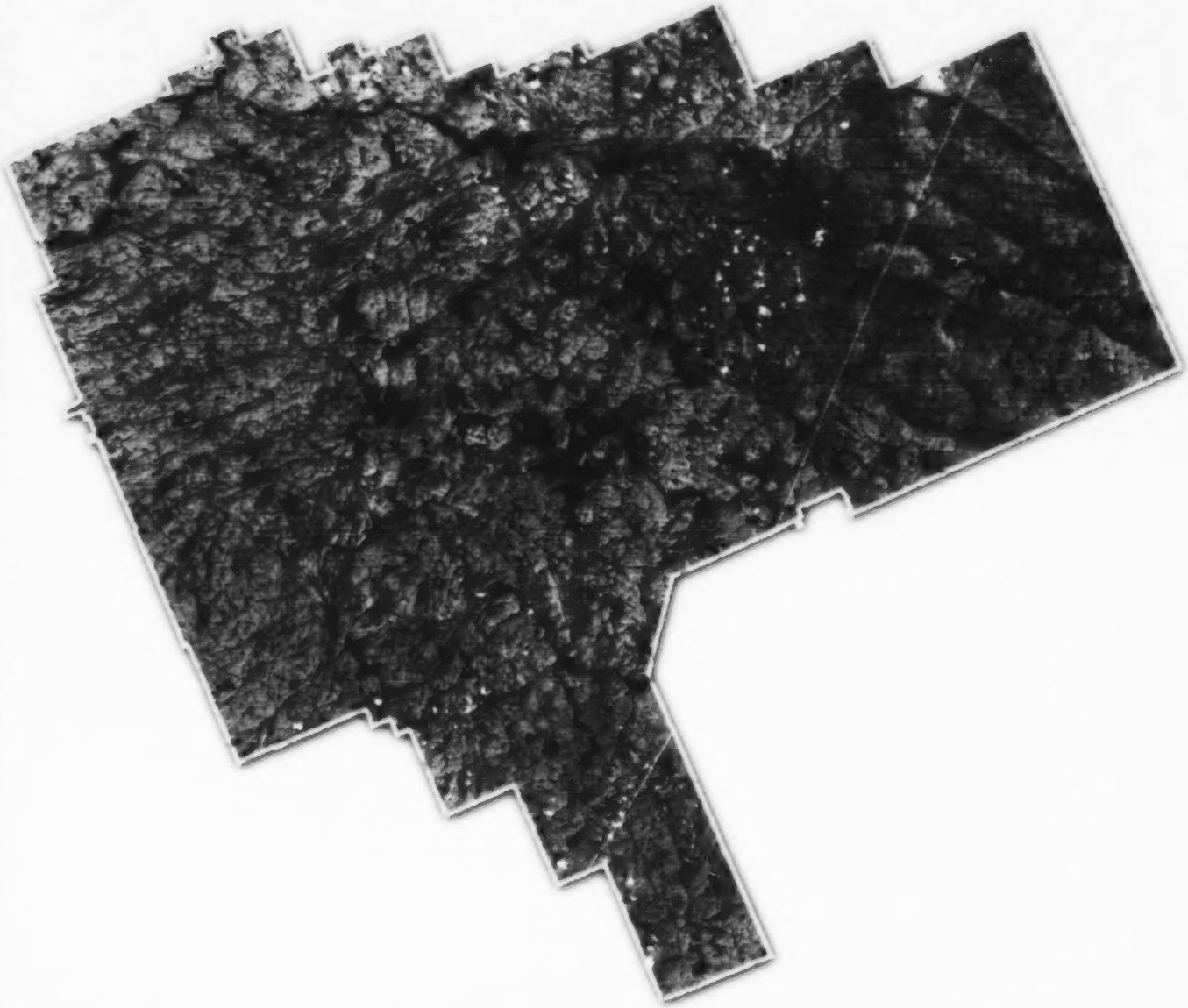
Algonquin Forestry Authority



Thirty-Second Annual Report

2006-2007

SUSTAINABLE FOREST MANAGEMENT POLICY

INTRODUCTION

The Algonquin Forestry Authority (AFA) is the Ontario Crown Agency responsible for sustainable forest management in Algonquin Provincial Park. AFA responsibilities also include the harvesting and distribution of wood products to mills in communities within the region.

VISION

To achieve the highest standards of sustainable forest management practices, in order to maintain Park values for future generations.

MISSION

To ensure the long-term health of Algonquin's forests while producing a sustainable supply of forest products for the forest industry of the region.

COMMITMENTS AND STRATEGIES

1. Sustainable Forest Management:

- Conform with requirements of the international standards ISO 14001 and CSA Z809-02
- Manage Algonquin's forests in a sustainable manner consistent with requirements of the sustainable forest management plan. This includes:
    1. Conserving biological diversity;
    2. Conserving forest ecosystem condition and productivity by maintaining the health, vitality and rates of biological production;
    3. Conserving soil and water resources;
    4. Maintaining forest conditions and management activities that contribute to the health of global ecological cycles;
    5. Providing multiple benefits to society; and
    6. Accepting society's responsibility for sustainable development
- Locate forest operations away from recreational features (campgrounds, canoe routes, portages, hiking trails) during peak periods of usage
- Maintain aesthetic qualities of the forest landscape
- Avoid insecticide and herbicide use whenever possible

2. Compliance with Laws:

- Meet or exceed all applicable laws, regulations, policies, standards and other requirements to which AFA subscribes
- Prevent pollution using processes, practices, materials or products that avoid, reduce or control pollution
- Continuously evaluate compliance with current laws and regulations, and the prevention of pollution
- Periodic independent audits shall ensure that operations are consistent with established policies and objectives

3. Public Participation:

- Provide opportunities for public consultation on sustainable forest management practices in Algonquin Park
- Establish a public advisory committee to provide input on sustainable forest management
- Facilitate public review and input on the Forest Management Plan and work schedules and respond to comments in a timely fashion
- Effectively communicate forest management practices in the Park to the public
- Make public the results of independent audits and ongoing assessments in annual reports

4. Aboriginal Rights and Participation:

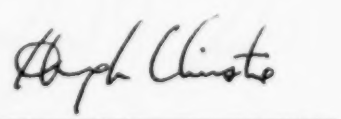
- Respect Aboriginal and treaty rights
- Provide participation opportunities for Aboriginal peoples with respect to their rights and interests in sustainable forest management
- Work co-operatively with local aboriginal communities to identify and implement ways of achieving a more equal participation by aboriginal communities in the benefits provided through forest management planning in Algonquin Park

5. Health and Safety:

- Provide conditions and safeguards for the health and safety of workers and the public
- Establish and communicate safe working habits to employees of the Authority and its contractors
- Organize training programs for AFA employees and assist contractors in their training programs
- Maintain and communicate emergency response plans and procedures

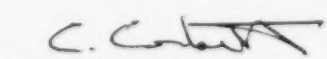
6. Continual Improvement:

- Improve knowledge about the forest and sustainable forest management and monitor advances in SFM science and technology and incorporate them where applicable
- Participate in research projects that contribute to the health of the forest ecosystem and productivity of the forest
- Establish partnerships with private sector and other scientific institutions and partnerships to promote forestry education and awareness
- Effectively communicate new procedures and responsibilities to employees, contractors and woodsworkers in a timely fashion
- Ensure sufficient monetary funds are budgeted to train personnel
- Participate in the development of new standards and guidelines
- Regularly review the Sustainable Forest Management Policy and update as required



Chair, Board of Directors

February 7, 2007



General Manager

Ontario

TO HIS HONOUR
The Lieutenant-Governor
of the Province of Ontario

MAY IT PLEASE YOUR HONOUR
The undersigned begs respectfully to present to Your Honour the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2006 and ending March 31, 2007.

THE HONOURABLE DAVID RAMSAY
Minister

ALGONQUIN FORESTRY AUTHORITY

THE HONOURABLE DAVID RAMSAY
Minister of Natural Resources

Honourable Sir:

I have the honour to submit to you the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2006 and ending March 31, 2007.

HUGH CHRISTIE
Chair

TABLE OF CONTENTS

Role and Mandate 2

Chair's Message 3

Results of Operations

Forest Management 4

Forest Management Summary 2006 - 2007 4

Harvesting 5

Product Distribution - Algonquin Park 5

Integrated Selection System Research 6

Turtles-at-Risk Research 6

Financial Results 7

Organization Chart 8

Board of Directors 9

Actions to Implement Forestry Policy 10

Financial Statements

Management's Statement 11

Auditor's Report 12

Statement of Financial Position 13

Statement of Operations 14

Statement of Changes In Net Assets 15

Statement of Cash Flows 16

Notes to the Financial Statements 17

The Algonquin Forestry Authority (AFA) operates under the Algonquin Forestry Authority Act, 1990. This legislation sets out the management, objectives and powers of the AFA. Responsibilities in Algonquin Provincial Park include:

- Ensuring the sustainable management of Algonquin's forests
- Planning of all forestry operations
- Harvesting and distribution of wood products to mills
- Monitoring forestry operations

All activities are carried out under the direction of a Ministry of Natural Resources' approved Forest Management Plan (FMP) and also under an Environmental Management System (EMS). The EMS is registered to the International Standards Organization (ISO) 14001 standard. Key components of the EMS are prevention of pollution, continual improvement and compliance with applicable laws and guidelines.

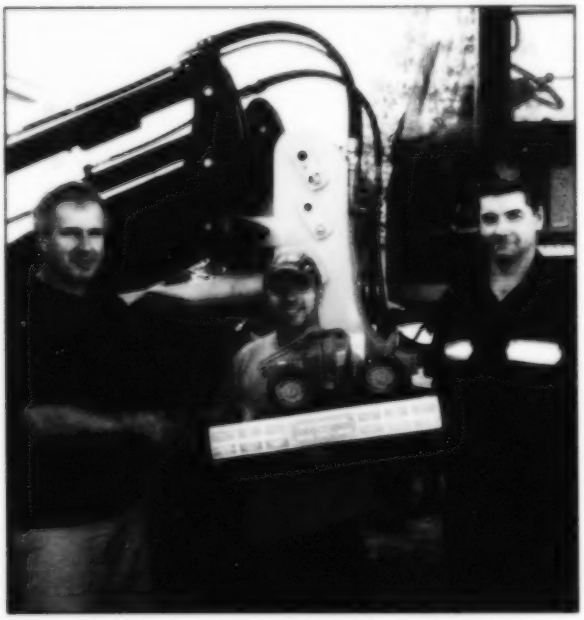
AFA receives management direction from several different plans and legislation, but its Sustainable Forest Management Policy guides its day-to-day activities.

AFA's commitment to sustainable forest management can be found in its Vision Statement:

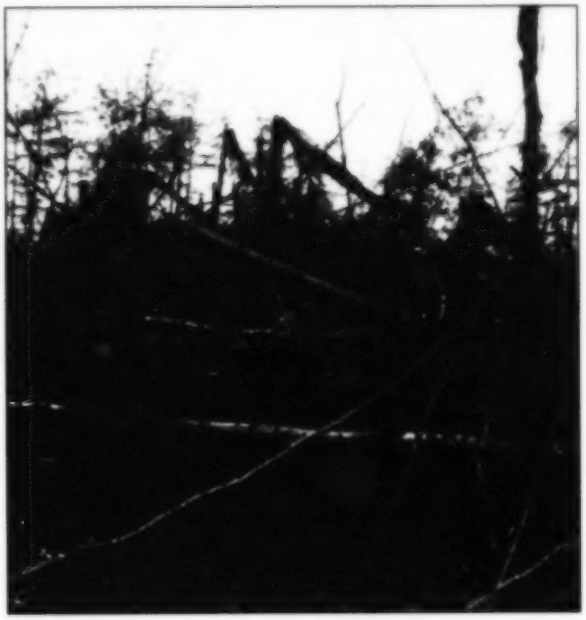
To achieve the highest standards of sustainable forest management practices, in order to maintain Park values for future generations.

The Authority applies the principles of sustainable forest management to balance the public's concern for protecting Park values. Protection of recreation, fisheries, wildlife habitat and natural and cultural heritage values is of utmost importance while maintaining a supply of forest products to mills dependent on Park timber. Harvesting is carefully regulated to minimize impacts on other forest values.

The Authority contracts out both harvesting and forest management work to companies from communities in the region. The timber harvested supports 13 mills in communities such as Huntsville, Whitney, Madawaska, Pembroke, Mattawa and Rutherglen. Another 5-10 mills receive periodic supplies.



2006-2007 Contractor Safety Award



Windstorm 2006

CHAIR'S MESSAGE by Hugh Christie

In March, 2007, Robert (Bob) D. Pick, R.P.F. retired as Area Forester with the Algonquin Forestry Authority. Bob was a dedicated forester and was one of the original six foresters hired by the Authority in 1975. He is recognized as an expert in the management of white and red pine. His humour and easy going nature will be missed by his co-workers. On behalf of the Board of Directors and AFA staff I would like to extend to Bob and his wife Julie our best wishes for a happy and healthy retirement.

Bob Pick, R.P.F.

Effective April 1, 2007, Stephen Bursey, R.P.F. assumes the duties of Area Forester in Pembroke and I welcome him to this challenging position.

In July, 2006 the Park was subjected to another windstorm which affected timber on the northern, central and eastern portions of the Park. Although the storm was not as severe within Algonquin as were similar storms in 1983 and 1999, nonetheless, approximately 67,000 cubic metres of forest products were salvaged. The success of the salvage operation was due to the efforts of staff, contractors and their employees, and industry clients working together during difficult market conditions for many of the forest products generated. It is expected that issues in 2007 related to the cost of fuel, the rising Canadian dollar and poor hardwood and pine sawlog markets will result in another difficult year for the Algonquin Park forest industry.

Work continued on the Authority's certification to the Canadian Standards Association (CSA) Z-809 forest certification standard. An advisory committee has been formed to provide input on the identification of values, objectives, indicators and targets for the Algonquin Park Forest. The committee is comprised of individuals representing such interests as: cultural heritage/ archaeology, government, recreational users, environmental groups, tourism, logging contractors, anglers and hunters, forest industry, forest research and representatives from some Aboriginal communities. AFA's objective is to be certified to the Z-809 standard by the end of 2007.

As a Crown Agency, the organization is subject to independent audits to ensure resources are being used wisely and the forest is well managed. We look forward to such audits which help us to strengthen our management practices. In 2007 the following audits will be carried out: financial audit by the provincial auditor, internal and surveillance audits of AFA's environmental management system to the international standards organization (ISO) 14001 standard, independent forest audit by the Ontario government, and pre-assessment and registration audit of the Algonquin Park Forest to the CSA Z-809 forest certification standard.

It was another active year by the Authority and the organization has not been immune from the challenges facing the forest industry. The financial and operational activities of the past year are summarized in this annual report. I would like to extend my appreciation to AFA staff and my colleagues on the Board of Directors for their continued commitment to the organization and management of Algonquin Park during these difficult times.

Hugh Christie

The approved 2005-2025 Forest Management Plan (FMP) for the Algonquin Park Forest details the goals, objectives and strategies for the twenty-year period and outlines specific operations for the 2005-2010 term. Forest management activities in Algonquin Park must follow FMP prescriptions.

In order to implement forest management systems in Algonquin Park it is first necessary to designate which trees are to be harvested and which are to be retained, while protecting other resource values. This is done by skilled tree markers who follow the prescriptions prepared by Registered Professional Foresters. The partial harvesting systems used in Algonquin Park rely heavily on natural regeneration. To date, this has been largely successful. Tree marking was carried out in 2006 - 2007 on 10,246 hectares.

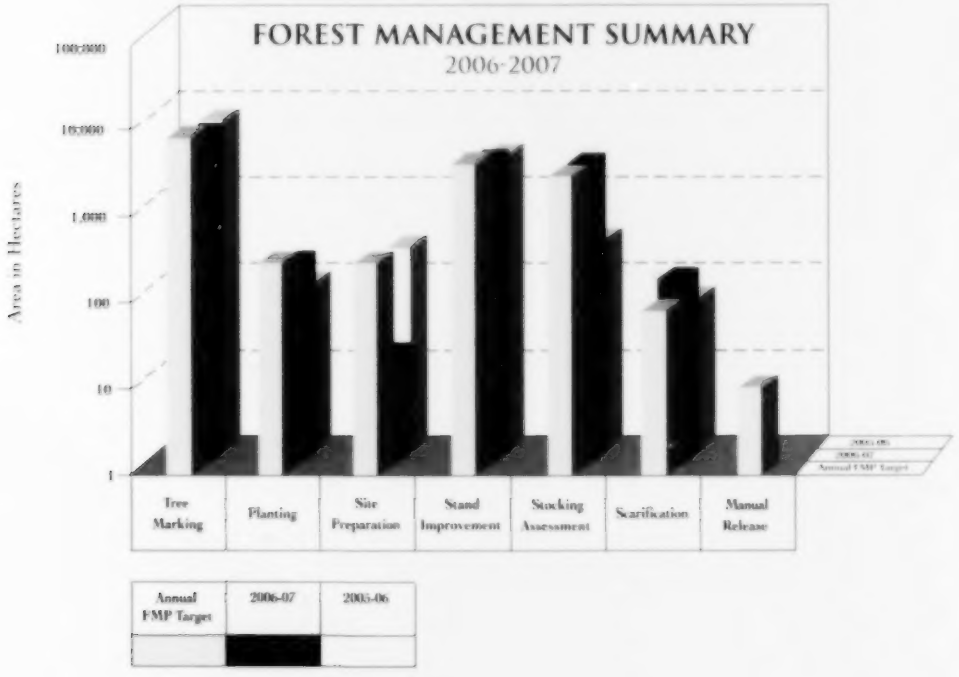
Trees planted in Algonquin are grown from seed that originates within the Park. A total of 268,000 tree seedlings were planted on 280 hectares. Private nurseries are growing 82,000 seedlings for planting in 2007.

Twenty-one hectares were site-prepared for planting in 2007 and 176 hectares were scarified for natural regeneration.

Regeneration assessments were conducted on 4,367 hectares. Regeneration assessments are not conducted in hardwood selection areas where natural regeneration is assured.

Stand improvement was completed on 4,901 hectares to assist growth of residual trees and natural regeneration.

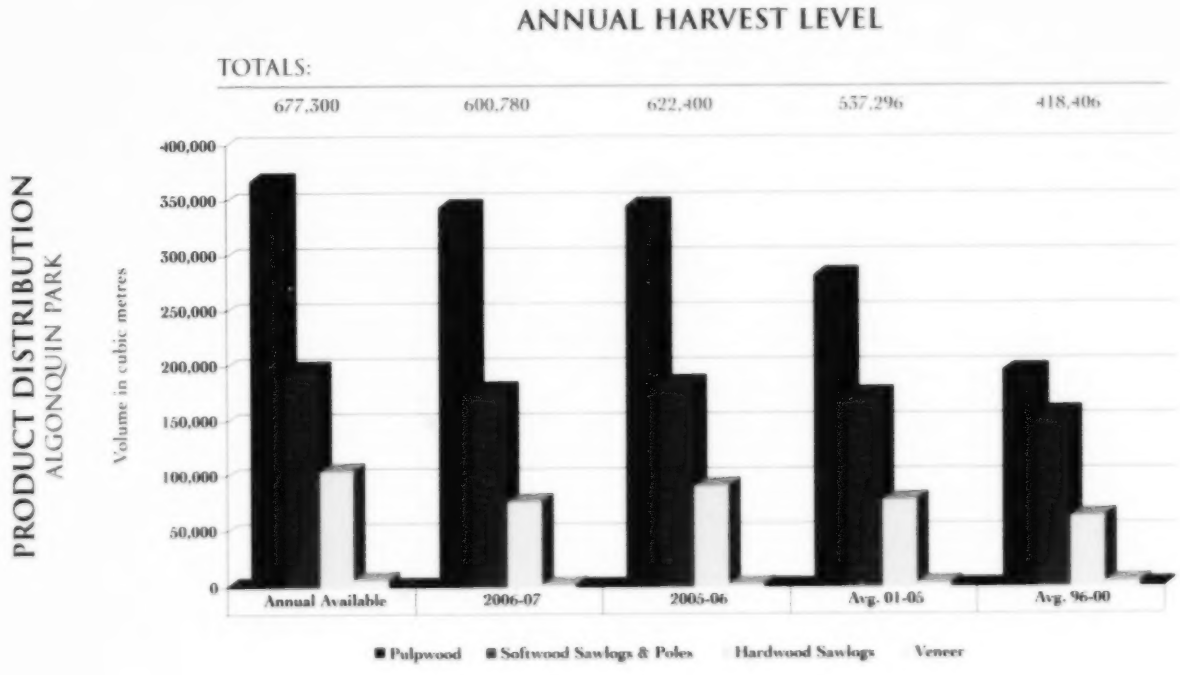
The 2006-2007 forest management program is illustrated below and is compared to annual FMP targets. The program was the second year of the approved 2005-2025 FMP.



The 2005 - 2025 forest management plan for Algonquin Park states that a sustainable annual allowable harvest of 677,300 cubic metres is available from the forest. The 2006 - 2007 harvest level from the Park was 600,780 m3 which is within the sustainable level that the Algonquin forest can provide. The harvest was down 21,620 m3 or 3.5% from the 2005 - 2006 fiscal year. Volume harvested in 2006 - 2007 is illustrated in the following graph and is compared to the previous year and annual averages for the previous two five-year terms.

Pulp markets strengthened somewhat in 2006 - 2007 which was contrary to thinking at the beginning of the year. Demand for oak veneer, pine sawlogs and poplar for oriented strand board softened significantly during this time frame. At the same time price for maple 1 common and better hit lows not seen since around 2000. Most of this is related to the decline in the United States housing industry. Reduced home construction in the United States, the cost of fuel/energy and a higher valued Canadian dollar will result in another difficult year for Ontario's forest industry.

W.F. Dombroski & Sons Logging Contractors Ltd. of Barry's Bay, Ontario received the Algonquin Forestry Authority's Contractor Safety Award for the second consecutive year in 2006 - 2007. This award is presented annually to the Algonquin Park logging contractor with the best safety record. Dombroski's employees worked a total of 7,154 person days with no lost time days for the year due to work related accidents. In addition to the safety award, AFA and the contractors administer an "Environmental and Safety Award System" that recognizes positive work practices. Based on a points system, the top logging crews on each contractor operation receive awards. The hauling and road construction sectors are also recognized for their contributions to the overall results.



INTEGRATED SELECTION SYSTEM RESEARCH IN ALGONQUIN PARK HARDWOOD FORESTS

BY KEN ELLIOTT, R.P.F., MINISTRY OF NATURAL RESOURCES

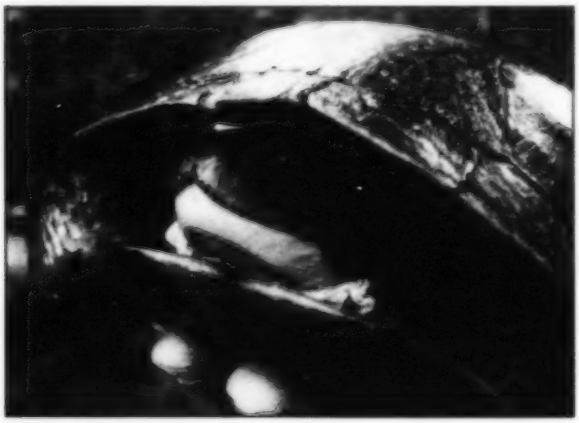
The Ministry of Natural Resources' Southern Science and Information Section, along with Trent University are leading a set of studies designed to evaluate the impacts of selection system silviculture on hardwood forest stand structures, tree regeneration and the dynamics of bird and insect communities.

With the support of a large group of academic, industrial and government funding agencies and partners, the team is working very closely with Algonquin Forestry Authority to implement studies on 22 sites within Algonquin Provincial Park. Specifically, the retrospective component will compare single-tree selection stands at different times since harvest to similar uncut stands, to evaluate the time and the ability of a stand to recover to reference conditions and evaluate stand quality and tree regeneration success. The experimental component will use pre and post-harvest data to compare intensive group selection (20% land area in gaps) to the current approach of applying group selection, ie. harvesting a few gaps in ecologically appropriate places within an otherwise normal single-tree selection cut. The group selection experiment will evaluate whether hardwood tree species, with moderate tolerance to shade, regenerate and grow better in these gaps.

Within both studies, data will be collected on vegetation, downed wood, nest habitat, birds, cavity dependant wildlife, insects, and economics. The researchers and their graduate students will analyze changes to biodiversity and productivity across these indicators and evaluate current guidelines.

TURTLES-AT-RISK RESEARCH IN ALGONQUIN PARK

BY BRAD STEINBERG, MINISTRY OF NATURAL RESOURCES



The rivers, creeks, marshes and bogs of Algonquin Park are home to the endangered Wood Turtle and the threatened Blanding's turtle. Both of these species are at risk because of habitat loss/alteration, predation, collection, and road mortality.

Numerous studies on the wood turtle have led to special protection measures for the habitat of this endangered species. However, very little is known about the habitat requirements of the threatened Blanding's turtle. In order to better understand the critical habitat requirements of the threatened Blanding's turtle, a collaborative research project was initiated in 2006. This project is supported by the MNR, the Algonquin Forestry Authority, the Toronto Zoo, the Friends of Algonquin Park, the University of Guelph and Laurentian University. MSc candidate Chris Edge is radio-tracking 15 Blanding's turtles throughout the year, from hibernation sites in the midst of February to nesting sites in the height of blackfly season. His detailed analysis of Blanding's turtle habitat will allow better mapping, identification and protection of the critical habitat of this species in Algonquin Park and Ontario.

Harvesting and the Statement of Operations:
Operating revenues for the year were $27,963,461, which represents an increase of $1,129,907 or 4.21% compared to 2005-2006. Approximately $1,300,000 of Crown timber stumpage price adjustments were credited directly to the forest industry as reductions to both product sales and standing timber sales in 2005-2006. This program was discontinued in 2006-2007.

Other income includes approximately $1,700,000 ($900,000 in 2005-2006) of Provincial road maintenance funding that was reimbursed to AFA for maintenance activities performed. Amounts then reimbursed by AFA directly to the forest industry show as reductions to both product sales and standing timber sales amounted to approximately $1,070,000 ($900,000 in 2005-2006). Sales of standing timber were down $160,777 as a result of reduced demand and lower unit stumpage rates.

The increase in revenues were offset by higher costs for contracted labour, road maintenance activities and stumpage resulting in a decrease in operating income to $1,918,133 as compared to $2,353,607 in the previous year. Operations planning costs associated with AFA's Environmental Management System and system registration and certification were $205,184 as compared to $121,415 in the previous year.

Administrative costs increased by $17,469 during the year, primarily as a result of increases to salaries and directors' expenses related to one extra meeting date and increased board members for the entire year. These were partially offset by reductions in depreciation and amortization, bad debts and staff travel and training.

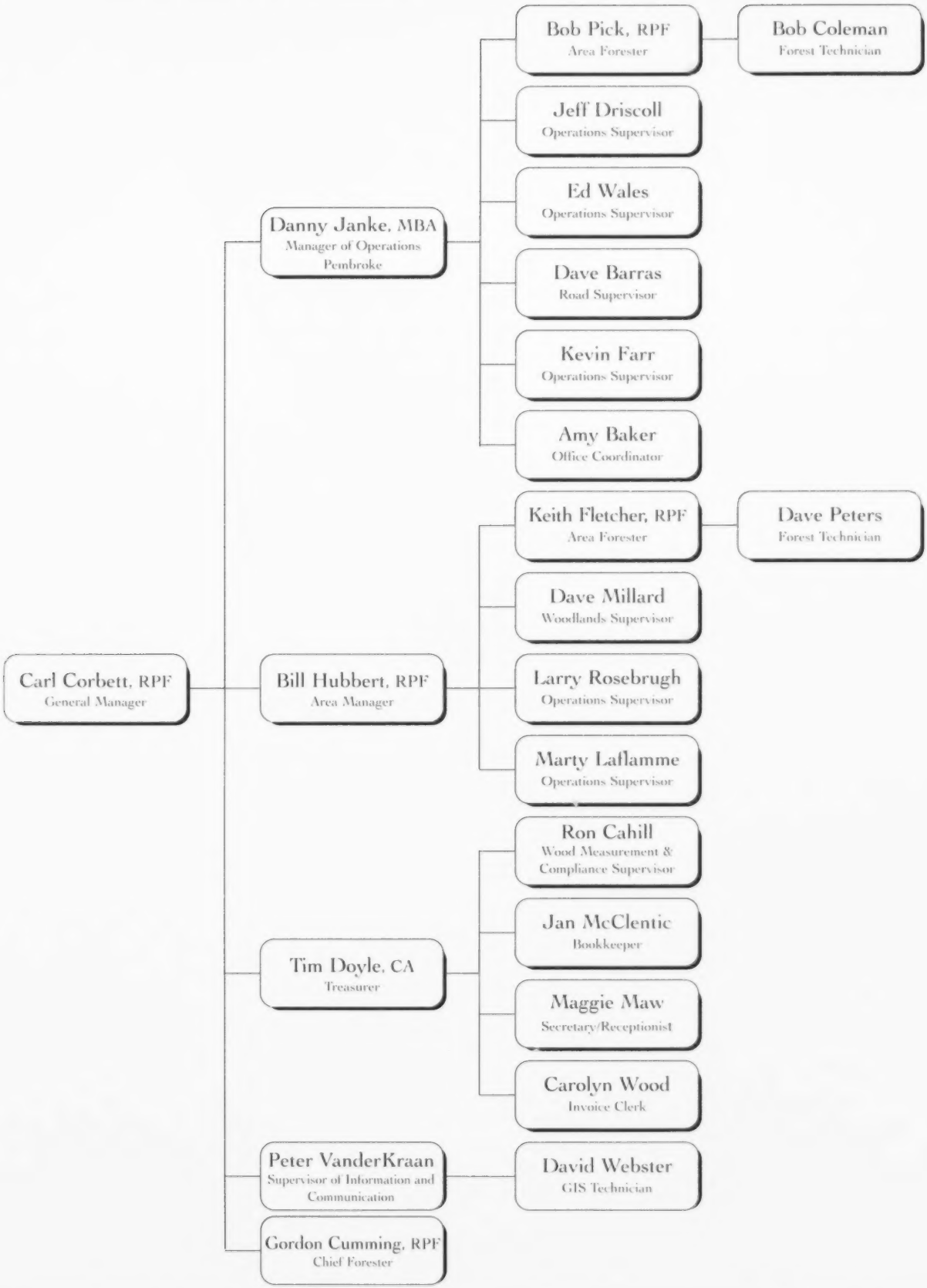
Forest Renewal Fund:
The method of accounting for Crown Stumpage reflects the requirements of the Crown Forest Sustainability Act. The forest renewal portion of the Crown Stumpage Matrix is retained by the Authority, in trust for the Crown, and is used to fund eligible forest renewal work on a cost recovery basis. The forest renewal revenue of $965,201 ($1,232,228 in 2006) represents amounts actually charged by the Ministry to customers during the year for renewal fund purposes. Reduced rates charged on salvage volumes contributed to the decline. Actual allowable forest renewal expenditures incurred during the year amounted to $1,363,537 as compared to $1,451,822 in 2006. This is the second consecutive year that a current year shortfall has been incurred resulting in a loss of $284,171 ($139,380 in 2006).

Financial Position - Balance Sheet
The Statement of Financial Position disclosure reflects disclosure requirements affecting not-for-profit organizations, such as the Authority, recommended by the Canadian Institute of Chartered Accountants. Funds received in advance of the planned expenditure are disclosed as 'Deferred Contributions' and amounts once referred to, in a single disclosure component, as 'Retained Income' have been disclosed as three separate components of 'Net Assets'. This disclosure clarifies the restricted/unrestricted nature of our net asset position.

Prior to March 31, 2007 AFA was required to pay to the Canada Revenue Agency approximately $1,000,000 for GST and to re-bill those amounts to the receiving mills. As such, our year-end cash balances were reduced by $981,772 this year. Receivables were in line with the prior year-end. The 2007 receivable balance includes the approximately $1,000,000 in GST billed and in 2006 the receivables included $1,300,000 for the stumpage credit funding that was discontinued in 2007. Inventories were higher in 2007, reflecting a more normal year as the 2006 inventory levels were at near record lows.

Payables and accruals were down $980,263 primary as a result of the $1,300,000 for the stumpage credit funding included in the 2006 balances. Reduced amounts due to the Consolidated Revenue Fund resulted from the reduced late winter activity and the reduced salvage stumpage rates.

The Renewal Account balance of $2,861,166 ($2,706,196 in 2006) remains well above the minimum required balance of $1,500,000. The Statement of Changes in Net Assets and Note 9 of the financial statements indicates a transfer from the Unrestricted General fund of $398,336 ($219,594 in 2006) to cover any losses incurred in the Forest Renewal Fund resulting from forest renewal activity.


Carl Corbett, RPF
General Manager
Danny Janke, MBA
Manager of Operations
Pembroke
Bob Pick, RPF
Area Forester
Bob Coleman
Forest Technician
Jeff Driscoll
Operations Supervisor
Ed Wales
Operations Supervisor
Dave Barras
Road Supervisor
Kevin Farr
Operations Supervisor
Amy Baker
Office Coordinator
Bill Hubbert, RPF
Area Manager
Keith Fletcher, RPF
Area Forester
Dave Peters
Forest Technician
Dave Millard
Woodlands Supervisor
Larry Rosebrugh
Operations Supervisor
Marty Laflamme
Operations Supervisor
Tim Doyle, CA
Treasurer
Ron Cahill
Wood Measurement &
Compliance Supervisor
Jan McClentic
Bookkeeper
Maggie Maw
Secretary/Receptionist
Carolyn Wood
Invoice Clerk
Peter VanderKraan
Supervisor of Information and
Communication
David Webster
GIS Technician
Gordon Cumming, RPF
Chief Forester

BOARD OF DIRECTORS

	Date of Appointment	Current Term's Expiration Date
Chair:		
Hugh Christie, Etobicoke, ON	September 8, 2005	September 7, 2008
Vice-Chair:		
Kathleen Reid, Norwood, ON	March 25, 1998	March 10, 2010
Directors:		
William Atkinson, Sundridge, ON	June 2, 2004	June 1, 2010
William Dickinson, Bracebridge, ON	November 10, 2005	November 9, 2008
Don McCormick, Huntsville, ON	June 2, 2004	June 1, 2010
Karen LeClerc, Deep River, ON	November 10, 2005	November 9, 2008
Terrence Mullin, Barry's Bay, ON	November 10, 2005	November 9, 2008
Anne Mundy, Huntsville, ON	June 23, 2004	June 22, 2010
Paul Tufford, Prescott, ON	October 17, 2001	March 10, 2010
Officers:	**General Meetings:**	
C. M. Corbett, R.P.F. **General Manager**	June 3 - 4, 2006 Barry's Bay, ON	December 8-9, 2006 Toronto, ON
T. K. Doyle, C.A. **Secretary-Treasurer**	August 11, 2006 Algonquin Park tour	February 3, 2007 Haliburton, ON
	October 13, 2006 Pembroke, ON	March 23-24, 2007 Huntsville, ON

L-R: Paul Tufford, Karen LeClerc, Hugh Christie, Bill Atkinson, Don McCormick, Terry Mullin, Anne Mundy, Kathy Reid, Bill Dickinson.

ACTIONS TO IMPLEMENT AFA FORESTRY POLICY

- Conducted internal and surveillance audits of Environmental Management System.
- Formed an advisory committee to develop values, objectives, indicators and targets as required under Canadian Standards Association Z-809 forest certification standard.
- Advertised for public input into forest certification initiative.
- Posted a schedule of operations map on the AFA internet site.
- Developed a Sustainable Forest Management Policy that details AFA commitment to sustainable forest management.
- Conducted forest operation inspections on all forestry activities and reported findings to the Ministry of Natural Resources.
- Continued to meet with interested aboriginal communities to discuss their participation in forestry related activities.
- Paid $3.7 million to aboriginal contractors for work in tree marking, growing trees, logging and road maintenance and construction activities.
- Provided staff training on workplace health and safety, regeneration surveys, wood measurement, tree marking, spills prevention and management, emergency response, forest compliance inspections, forest health, road construction and decommissioning standards, management of aggregate pits, geographic information systems, accounting and personal development courses.
- Assisted on research projects related to an enhanced forest resources inventory (LIDAR) at the Swan Lake Research Centre and the analysis of Northern Goshawk habitat analysis. Provided funding for Wood Turtle and Blanding Turtle and group selection research projects in Algonquin Park.
- Provided safety and environmental awards to recognize accomplishments of woods workers.
- Contributed financially to the sixth annual Canadian Lumberman's Association - Eastern Canadian Teacher's Tour hosted by the Canadian Ecology Centre and the Forestry Research Partnership.
- Awarded scholarships to ten graduating high school students for continuing education.
- Continued to provide tours, presentations to groups and schools and financial support for forestry conferences and venues showcasing the logging profession.
- Initiated a forest resources inventory update in preparation for the development of the 2010 - 2020 Forest Management Plan.
- Contributed financially to a high school sustainable forestry program.

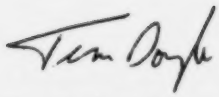
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management and the Board of Directors of the Algonquin Forestry Authority are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgements.

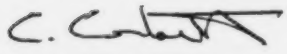
The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the Algonquin Forestry Authority Act.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Authority and at least annually to review the financial statements and the external auditors' report thereon, and recommends them to the Minister of Natural Resources for approval.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



Tim Doyle C.A.
Treasurer



Carl Corbett R.P.F.
General Manager

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Members, Algonquin Forestry Authority,
and to the Minister of Natural Resources

I have audited the statement of financial position of the Algonquin Forestry Authority as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
June 6, 2007

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

STATEMENT OF FINANCIAL POSITION - YEAR ENDED MARCH 31

	2007	2006
Assets		
Current		
Cash and cash equivalents	$ 2,430,182	$ 3,411,954
Temporary investments	2,711,684	2,631,934
Receivables	5,102,847	5,410,335
Inventory	314,283	193,358
Prepaids	18,780	18,780
	10,577,776	11,666,361
Capital assets (Note 4)	559,233	829,192
	$ 11,137,009	$ 12,495,553
Liabilities		
Current		
Payables and accruals	$ 1,548,090	$ 2,528,353
Contractors' performance holdbacks	115,783	82,754
Due to Consolidated Revenue Fund	338,715	471,128
	2,002,588	3,082,235
Deferred contributions (Note 5)	57,375	----
Obligation for employee future benefits (Note 6)	434,590	429,922
	491,965	429,922
Net assets		
Invested in capital assets	559,233	829,192
Restricted - Forest Renewal Fund (Note 3)	2,861,166	2,706,196
Unrestricted - General Fund	5,222,057	5,448,008
	8,642,456	8,983,396
	$ 11,137,009	$ 12,495,553

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

STATEMENT OF OPERATIONS - YEAR ENDED MARCH 31

	General Fund	Forest Renewal Fund	**Total 2007**	Total 2006
Revenue				
Product sales	$ 24,026,657	$ ---	$ 24,026,657	$ 23,533,011
Forest renewal activity	---	965,201	965,201	1,232,228
Standing timber sales	599,104	---	599,104	759,881
Other (Note 7)	2,258,334	114,165	2,372,499	1,308,434
	26,884,095	1,079,366	27,963,461	26,833,554
Expense				
Direct program costs	21,799,365	1,040,063	22,839,428	21,676,945
Crown timber stumpage charges	2,681,736	---	2,681,736	2,402,142
Public access road maintenance	242,625	---	242,625	161,901
Operations planning	205,184	---	205,184	121,415
Wood measurement	76,355	---	76,355	117,544
	25,005,265	1,040,063	26,045,328	24,479,947
Operating income	1,878,830	39,303	1,918,133	2,353,607
Administrative and other				
Salaries and benefits	1,354,772	250,838	1,605,610	1,461,139
Amortization	323,316	40,805	364,121	448,924
Office supplies and expenses	95,740	183	95,923	103,849
Office rent	29,585	17,400	46,985	44,243
Directors' allowances and expenses	42,081	---	42,081	22,191
Public relations	37,756	---	37,756	29,301
Insurance	25,128	12,077	37,205	33,048
Staff travel and training	23,396	2,171	25,567	37,569
Consulting, legal and miscellaneous	3,825	---	3,825	5,794
Bad Debts	---	---	---	55,546
	1,935,599	323,474	2,259,073	2,241,604
Net (loss) income for the year	$ (56,769)	$ (284,171)	$ (340,940)	$ 112,003

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN NET ASSETS - YEAR ENDED MARCH 31

				2007	2006
	Invested In Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	Total	Total
Balance, beginning of year	$ 829,192	$ 2,706,196	$ 5,448,008	$ 8,983,396	$8,871,393
Net income (loss) for the year	---	(284,171)	(56,769)	(340,940)	112,003
Interfund transfer (Note 9)	---	398,336	(398,336)	---	---
Amortization	(364,121)	40,805	323,316	---	---
Investment in capital assets	94,162	---	(94,162)	---	---
Balance, end of year	$ 559,233	$ 2,861,166	$ 5,222,057	$ 8,642,456	$8,983,396

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS - YEAR ENDED MARCH 31, 2007

	2007	2006
Cash and cash equivalents derived from (applied to)		
Operating		
Net (loss) income for the year:		
General Fund	$ (56,769)	$ 251,383
Forest Renewal Fund	(284,171)	(139,380)
Add (deduct): non-cash items		
Amortization	364,121	448,924
Loss (gain) on sale of capital assets	2,118	(38,090)
	25,299	522,837
Change in non-cash operating working capital	(893,084)	1,176,685
	(867,785)	1,699,522
Financing		
Obligation for employee future benefits	4,668	29,968
Deferred contributions	57,375	(239,802)
	62,043	(209,834)
Investing		
Acquisition of temporary investments	(79,750)	(71,791)
Acquisition of capital assets	(107,350)	(189,351)
Proceeds on sale of capital assets	11,070	46,552
	(176,030)	(214,590)
(Decrease)Increase in cash and cash equivalents	(981,772)	1,275,098
Cash and cash equivalents, beginning of year	3,411,954	2,136,856
Cash and cash equivalents, end of year	$ 2,430,182	$ 3,411,954
Cash and cash equivalents comprised of:		
Cash on hand and balances with banks	$ 2,430,182	$ 3,411,954

See accompanying notes to the financial statements.

1. **Purpose of the organization**

The Authority is responsible for forest management in Algonquin Provincial Park. The Authority is a Crown Agency which was established by the Ontario Government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is exempt from income taxes under the Income Tax Act.

2. **Significant accounting policies**

Basis of accounting

The Authority's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

Fund accounting

The General Fund accounts for the Authority's profit generating and administrative activities. The Forest Renewal Fund accounts for the forest management activities, including silvicultural work.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Revenue from product and standing timber sales and forest renewal charges are recognized when the wood is delivered. Consulting and other income is recognized as revenue when earned.

Temporary investments

Temporary investments consist of short term treasury bills with original maturities of three months to one year and are recorded at the lower of cost or market. The fair values of the Authority's temporary investments approximate their carrying value due to their short term maturity.

Inventories

Inventories, which consist of harvested wood not yet delivered to customers, are valued on the first in, first out basis at the lower of cost or net realizable value.

Capital assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis, using rates of 10% per annum for furniture, fixtures, technical equipment, trailers and leasehold improvements, 20% per annum for data processing equipment and portable steel structures, and 25% per annum for automotive equipment. The cost of bridges and access roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are amortized at the same rates as the assets mentioned above.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, balances with banks and short term deposits with original maturities of three months or less.

2. Significant accounting policies (cont'd)

Use of estimates
In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impairment of long-lived assets
Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable, as measured by comparing their net book value to the estimated undiscounted future cash flows generated by their use. Impaired asets, if any, are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual dispositon.

Financial instruments
The Authority's financial instruments consist of cash, accounts receivable, temporary investments, accounts payable, accrued liabilities and obligations for employee future benefits. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

3. Forest Renewal Fund
Effective April 1, 2002, the Authority renewed its 20-year agreement with the Ministry of Natural Resources to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from stumpage charges levied under the Crown Forest Sustainability Act and grants from the Forestry Futures Fund.

The agreement also requires the Authority to maintain a minimum balance of $1,500,00 in the Forest Renewal Fund.

4. Capital assets

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Bridges and access roads	$ 5,346,799	$ 5,033,378	$ 313,421	$ 490,194
Automotive equipment	339,530	190,026	149,504	143,650
Portable steel structures	287,284	247,189	40,095	85,554
Forest renewal assets	324,620	293,946	30,674	67,527
Furniture and fixtures	83,358	72,400	10,958	15,340
Technical equipment	182,531	176,923	5,608	6,830
Leasehold improvements	44,804	40,527	4,277	4,925
Data processing equipment	133,715	130,951	2,764	12,637
Trailers	13,690	11,758	1,932	2,535
	$ 6,756,331	$ 6,197,098	$ 559,233	$ 829,192

5. Deferred contributions

Deferred contributions represent unspent resources externally restricted for public access road maintenance received from the Ministry of Natural Resources in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	2007	2006
Beginning balance	$ ---	$ 163,520
Add: amount received in the year	300,000	---
Less: amount spent on road maintenance and related amortization costs in the year	(242,625)	(163,520)
Ending balance	$ 57,375	$ ---

6. Employee future benefits

The Authority provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) established by the Province of Ontario, which is a multi-employer defined benefit plan providing pension benefits. This plan is accounted for as a defined contribution plan as there is insufficient information available to apply defined benefit plan accounting. The Authority's contributions related to the pension plan for the year were $100,008 (2006 - $104,964) and are included in salaries and benefits in the Statement of Operations.

The Authority also provides termination benefits to qualifying employees. All full-time employees qualify for a severance payment equal to one week of salary for each year of continuous service with the Authority, to a maximum of one half of the employee's annual salary. The total obligation for severance payments vested amounts to $434,590 at year end (2006 - $429,922).

The cost of other non-pension post-retirement benefits is the responsibility of the Ontario Ministry of Government Services and accordingly is not accrued or included in the Statement of Operations.

7. Road maintenance funding

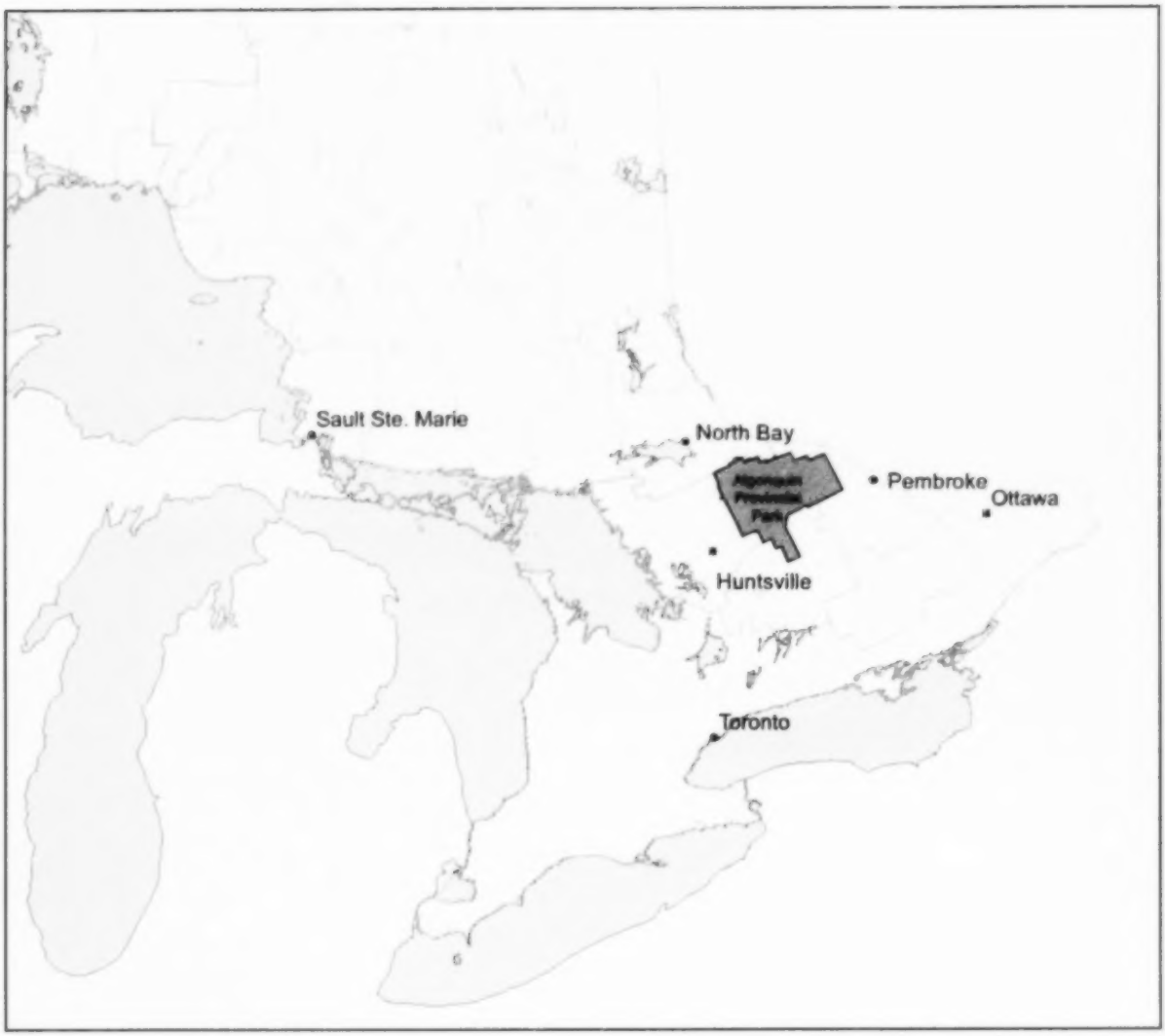
Included in Other Revenue is revenue of $1.73 million (2006 - $897,000) received by the Authority pursuant to an agreement with the Ontario Ministry of Natural Resources. The purpose of the agreement is to provide the Authority with reimbursement of road construction and maintenance costs on eligible primary and secondary forest access roads where access to those roads is not limited to the forest industry. A portion of the Ministry funding (2006 - 100%) is passed on to the Authority's customers through a rebate allocated on the basis of sales volumes.

8. Remuneration of appointments

Total remuneration of the Board members of the Authority was approximately $13,024 during the fiscal year (2006 - $8,096).

9. Interfund transfer

The Board of Directors has approved, by resolution, that any loss incurred in the Forest Renewal Fund resulting from forest renewal activity expenses exceeding revenue during the year (excluding other income) shall be funded by the General Fund.



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